

**Preserving the Health Care Safety Net, Providing  
Critical Medical Services for Southeast Michigan:  
*Final Report of the  
Detroit Medical Center Fiscal Stability Task Force  
Temporary Oversight Committee***

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August 18, 2004

Prepared for:  
Governor Jennifer M. Granholm  
Wayne County Executive Robert A. Ficano  
City of Detroit Mayor Kwame M. Kilpatrick  
and the Southeast Michigan Health Care Safety Net Community

Submitted by:  
The Detroit Medical Center Fiscal Stability Task Force Temporary Oversight Committee

## **Table of Contents**

<b>Letter from the Chair .....</b>	<b>ii</b>
<b>Temporary Oversight Committee Members .....</b>	<b>iii</b>
<b>Acknowledgments: Advisors and Participants .....</b>	<b>iv</b>
<b>Executive Summary.....</b>	<b>v</b>
<b>Final Report.....</b>	<b>1</b>
<b>Executive Order 2003 - 7 .....</b>	<b>Appendix A</b>
<b>Temporary Oversight and Corporate Responsibility Memorandum of Understanding .....</b>	<b>Appendix B</b>

## Letter from the Chair

Dear Governor Granholm, County Executive Ficano and Mayor Kilpatrick:

Across the nation, health care providers, consumers, elected officials, and public and private agencies alike experience the vice-like grip of the rising cost of medical services and constrained revenues. Certainly, Michigan is no exception. Last summer, the southeastern Michigan region faced a potential threat to its health care safety net's viability with the financial strains on the Detroit Medical Center. The possible closure of Detroit Receiving Hospital, Hutzel Women's Hospital, and several primary health care clinics placed medical services for the citizens of this region, particularly the uninsured and underinsured, at serious risk. It created the very real possibility that the city of Detroit would lose a level-one trauma center.

Determined to avert this crisis, you came together to forge a joint effort between the public and private sectors to stabilize the health care safety net. The Detroit Medical Center Fiscal Stability Task Force Hospital Advisory Council was formed, out of which emerged recommendations that hardened into a commitment reflected in the Memorandum of Understanding between yourselves and the Detroit Medical Center, a commitment overseen by the Temporary Oversight Committee.

Ten months later, this marriage of optimism and pragmatism has been the catalyst for much needed change. During the period established by the Memorandum of Understanding, the members of the Temporary Oversight Committee managed the flow of funds against the backdrop of adherence by the Detroit Medical Center to the requirements established by the Memorandum of Understanding. In doing so, we sought to meet our obligations to the patient community at large, to the providers of these medical services, to the taxpayers, and to you, the elected officials, whose shared vision established the platform from which this effort could be launched.

The mission of the Temporary Oversight Committee has now been completed. Detroit Receiving Hospital, Hutzel Women's Hospital, and several primary health care clinics continue to serve the people of the southeastern Michigan region. Much work, however, remains to be accomplished if the health care safety net is to be preserved in the years to come. This will require the continued commitment of those in both the public and private sectors. If the region is to survive and thrive, it must have the capability to deliver health care to those who seek it and to those who are in the most need. You have taken a critical step to demonstrate this commitment through the establishment of the Detroit Wayne County Health Authority.

The Temporary Oversight Committee is proud to submit this report of its efforts. We appreciated your leadership and support throughout our tenure and are pleased to have had the opportunity to serve the citizens of Detroit and Wayne county in this capacity.

Sincerely,



Janet Olszewski  
Chairperson  
Detroit Medical Center Fiscal Stability Task Force Temporary Oversight Committee

## **Detroit Medical Center Fiscal Stability Task Force Temporary Oversight Committee**

**Janet Olszewski (Chairperson)** – Director, Michigan Department of Community Health, appointed and designated to serve as Chairperson by Governor Granholm

**Vernice Davis Anthony** – President and CEO, Greater Detroit Health Council, appointed by Governor Granholm

**Van E. Conway** – Conway, MacKenzie & Dunleavy, Attorneys at Law, appointed by County Executive Ficano

**Robert B. Johnson** – Principal and Owner, Robert B. Johnson and Associates, Health Care Management Advisors, appointed by Mayor Kilpatrick

**Juliette Thorpe Okotie-Eboh** – Vice President of Community Affairs, MGM Grand, appointed by County Executive Ficano

**Sean Werdlow** – Chief Financial Officer, City of Detroit, appointed by Mayor Kilpatrick

**Susan Work Martin** – Associate Vice President for Academic Affairs, Grand Valley State University, appointed to serve as an ex-officio (non-voting) member by Governor Granholm

## **Acknowledgements: Advisors and Participants**

Detroit Medical Center Board of Trustees

Detroit Medical Center Senior Management Team

John Barton – Special Liaison to the Temporary Oversight Committee, Department of Treasury

Christine Beatty – Chief of Staff, Office of the Mayor, Detroit

Teresa Bingman – Deputy Legal Counsel, Office of the Governor, State of Michigan

Aungelica Boshea – Executive Assistant, Office of the Governor, State of Michigan

Kimberly Brosky – Assistant Policy Advisor, Office of the Governor, State of Michigan

Dr. John Crissman – Dean, Wayne State University Medical School

Christine Derdarian – Special Counsel to the Temporary Oversight Committee

John Griffith – Special Advisor to the Temporary Oversight Committee, University of Michigan  
School of Public Health

Kelly Keenan – Legal Counsel to the Governor, Office of the Governor, State of Michigan

Mary Lannoye – State Budget Director, Department of Management and Budget

Charles O'Brien – Chair, Detroit Medical Center Board of Trustees

Paul Reinhart – Deputy Director of Medical Services Administration, Michigan Department of  
Community Health

Jay Rising – State Treasurer, State of Michigan

Justin Ross – Legal Research Analyst, Office of the Governor, State of Michigan

Rick Wiener – Chief of Staff, Office of the Governor, State of Michigan

Charlie Williams – Chief of Staff, Office of the County Executive, Wayne County

## **Executive Summary**

- In the spring and summer of 2003, city, county and state government leaders came together to address the crisis precipitated by the financial turmoil that was plaguing the Detroit Medical Center (DMC).
- The very delivery of vital medical services to the southeastern Michigan community, particularly the uninsured and underinsured, was at stake.
- Determined to avert this crisis, Governor Jennifer Granholm, Wayne County Executive Robert Ficano and City of Detroit Mayor Kwame Kilpatrick forged an unparalleled effort to stabilize the health care safety net.
- The Detroit Health Care Stabilization Workgroup, chaired by Janet Olszewski, Director of the Michigan Department of Community Health, was created as part of this effort.
- On June 19, by Executive Order 2003-7 signed by Governor Granholm, the Detroit Medical Center Fiscal Stability Task Force Hospital Advisory Council (Task Force) was created to undertake an assessment of the fiscal operations, governance structure and ethical compliance of the DMC.
- In conjunction with the findings of the Task Force, collective funding was secured from the city of Detroit, Wayne county and the state of Michigan as part of a one-time \$50,000,000 financing arrangement. A Memorandum of Understanding (MOU) was created to establish requirements and protocols for the release of these monies to the DMC.
- The MOU provided for the creation of the Temporary Oversight Committee (TOC). Comprised of six members (two each appointed by the Mayor of Detroit, the Wayne County Executive and the Governor), the TOC, chaired by Janet Olszewski, was established to monitor the release of funds to the DMC based on criteria set forth in the MOU.
- Once engaged, the TOC quickly determined that to facilitate a turnaround, a widespread approach focusing on DMC's overall operations relating to services, staffing, patient care, finances, and governance would require immediate assessment, analysis and a responsive action plan.
- In its early meetings with the DMC leadership team, the TOC stressed the priority of continuing to operate and staff the safety net providers at their current levels while leaving regular services uninterrupted. The TOC also encouraged development of both short-term and long-term fiscal strategies for preserving these facilities.

- Concurrently, the TOC and the Chair of the DMC Board, Charles O'Brien, focused on seven primary areas of concern: 1) cost reduction and implementation of economies of scale; 2) operational efficiencies; 3) identifying additional sources of revenue; 4) governance and board structure; 5) strengthening relations with member hospitals and staff; 6) solidifying relations with the Wayne State University Medical School; and 7) maintaining operations at the safety net facilities.
- The TOC determined that the DMC was in need of outside professional assistance to identify and prioritize issues that needed to be addressed, and to recommend actions to achieve the turnaround and other requirements of the MOU. The TOC later assisted in the selection of an appropriate consulting firm.
- As Mr. O'Brien and the DMC Board (Board) worked with the TOC to achieve the goals set forth under the MOU, they were simultaneously looking for a new chief executive to lead the DMC.
- Their aggressive efforts led to the selection of former Wayne County Prosecutor Michael Duggan as the new chief executive officer of the DMC. Upon his arrival, Mr. Duggan sought to build upon the progress initiated by Mr. O'Brien and the Board.
- As a result of joint TOC-DMC efforts, a new governance accountability program, including a conflict of interest policy, has been put into place and has led to a restructuring of the Board, a reduction in size of the Board, changes in eligibility for service on the Board, the creation of conflict avoidance standards, and performance review.
- The TOC also was concerned about relations between the DMC management and the medical staff, given declining morale stemming from uncertain working conditions and the financial problems afflicting the DMC. As turnaround progress was made, however, a more positive attitude has surfaced, with everyone working toward a common goal and a favorable result for the DMC.
- The TOC has been advised that an open dialogue between Wayne State University Medical School and the DMC has been initiated and that a new, stronger relationship between these two organizations has been forged thanks to the efforts of Dr. John Crissman, Dean of the Wayne State University Medical School, and Mr. Duggan.
- The TOC was dedicated to the continuation of services at Detroit Receiving Hospital and Hutzel Women's Hospital, and consistently offered guidance to DMC leadership on how this could be accomplished on both a short-term and long-term basis. Also undertaken was a directed effort to maintain the

availability of services delivered by the primary health care clinics formerly owned and operated by the DMC.

- As of today, the vulnerable segment of the southeastern Michigan community continues to be served due to the unyielding emphasis on these vital health care safety net providers.
- None of the accomplishments described above would have been possible had it not been for the commitment, unity and leadership of the elected officials, each of whom shared in the consensus of what was most important in this endeavor.
- Ultimately, the beneficiaries of this commitment, innovation and proactive response by the elected officials are those people who are most vulnerable and in need of critical medical services.
- Nearly ten months after the TOC embarked on its mission, real progress has taken root at the DMC. However, much work remains to be done by those now in charge of the DMC if the health care safety net is to be maintained.



# FINAL REPORT

## **DETROIT MEDICAL CENTER FISCAL STABILITY TASK FORCE** **TEMPORARY OVERSIGHT COMMITTEE FINAL REPORT**

### **INTRODUCTION**

In the spring and summer of 2003, city, county and state government leaders came together to address the crisis precipitated by the financial turmoil that was plaguing the Detroit Medical Center (DMC). Hobbled by skyrocketing debt and operational losses, the DMC was attempting to deal with losses of over \$360,000,000 it had suffered in the preceding five-year period, as well as those forecasted for the immediate future. It also faced the prospect of the closure of Detroit Receiving Hospital and Hutzel Women's Hospital, crucial elements of the southeastern Michigan health care safety net. Detroit Receiving Hospital handles 85,000 emergency visits each year and is an American College of Surgeons certified level-one trauma center. Hutzel Women's Hospital delivers over 5,000 newborns annually, and has a specialty center dedicated to handling high risk pregnancies. The threat of closing these institutions created the very real possibility that thousands of uninsured and underinsured southeastern Michigan residents no longer would have access to medical treatment from the two safety net providers that historically met their health care needs. The very delivery of vital medical services to this population was at stake.

Determined to avert this crisis, Governor Jennifer Granholm, Wayne County Executive Robert Ficano, and City of Detroit Mayor Kwame Kilpatrick forged an unparalleled effort to stabilize the health care safety net. The creation of the Detroit Health Care Stabilization Workgroup, chaired by Janet Olszewski, Director of the Michigan Department of Community Health (MDCH), was a step in this direction. And, more was to follow.

On June 19, by Executive Order 2003-7 signed by Governor Granholm, the Detroit Medical Center Fiscal Stability Task Force Hospital Advisory Council (Task Force) was created to undertake an assessment of the fiscal operations, governance structure and ethical compliance of the DMC. The Task Force determined that it was necessary for certain actions to be taken. Those actions included the providing of supplemental governmental funding to the safety net providers in order to ensure the delivery of vital medical services to the residents of southeastern Michigan while the DMC crisis was being resolved.

In conjunction with the findings of the Task Force, collective funding was secured from the city of Detroit, Wayne county and the state of Michigan as part of a one-time \$50,000,000 financing arrangement. A Memorandum of Understanding (MOU) was also drafted to establish requirements and protocols for the release of these monies to the DMC. Section 5 of the MOU provided for the creation of the Temporary Oversight Committee (TOC). Comprised of six members (two each appointed by the Mayor of Detroit, the Wayne County Executive and the Governor), the TOC, chaired by Janet

Olszewski, was established to monitor the release of funds to the DMC based on criteria set forth in Section 6 of the MOU.

On September 6, 2003, the TOC met for the first time and began its work on behalf of the elected officials to implement the terms of the MOU and, thereby, preserve the safety net providers critical to the people of southeastern Michigan.

### **THE COMMITTEE'S WORK**

The TOC quickly determined that to facilitate a turnaround, a widespread approach focusing on DMC's overall operations relating to services, staffing, patient care, finances and governance would require immediate assessment, analysis and a responsive action plan. In its early meetings with the DMC leadership team, the TOC stressed the priority of continuing to operate and staff the safety net providers at their current levels while leaving regular services uninterrupted, as required by Section 4 of the MOU. The TOC also encouraged development of both short-term and long-term fiscal strategies for preserving these facilities. In its examination of the financial and operational reports submitted by the DMC, it became clear to the TOC that a highly aggressive approach was required if a turnaround was to become a reality and the health care safety net preserved. The TOC determined the DMC was in need of outside professional assistance to identify and prioritize issues that needed to be addressed and to recommend actions to achieve the turnaround and other requirements of the MOU. The TOC worked diligently to stress the importance of this recommendation to the DMC and later assisted in the selection of an appropriate consulting firm. This expert diagnostic approach to the serious problems facing the DMC, and the corresponding need for a dedicated, swift and well-crafted response, contributed significantly to the inroads DMC was able to make toward securing its financial recovery.

These efforts were spearheaded under the leadership of Charles O'Brien, Chair of the DMC Board (Board). As early progress was made, the TOC sought to provide a sense of continuity and guidance for the momentum that had been gathering as a result of the turnaround efforts. The TOC and Mr. O'Brien focused on seven primary areas of concern: 1) cost reduction and implementation of economies of scale; 2) operational efficiencies; 3) identifying additional sources of revenue; 4) governance and board structure; 5) strengthening relations with member hospitals and staff; 6) solidifying relations with the Wayne State University Medical School; and 7) maintaining operations at the safety net facilities. In accordance with the requirements of the MOU, as consistently monitored by the TOC, Mr. O'Brien supplied reports and information relating to each of these priorities. These items were, in turn, analyzed thoroughly by the TOC and supporting staff to determine the progress that was being made.

In the fall of 2003, the Board and interim management team turned their attention toward implementing initiatives to reduce costs and institute economies of scale in the operations of the safety net providers. As Mr. O'Brien and the Board worked with the TOC to achieve the goals set forth under the MOU, they were simultaneously looking for

a new chief executive to lead the DMC. Their aggressive efforts led to the selection of former Wayne County Prosecutor Michael Duggan as the new chief executive officer of the DMC. Upon his arrival, Mr. Duggan sought to build upon the progress initiated by Mr. O'Brien and the Board. In his reports to the TOC, Mr. Duggan revealed how costs were being reduced by eliminating duplication of services within the DMC, terminating some administrative positions, combining units, reducing the number of FTEs by 600, and changing the leadership at some of the member hospitals. Concurrently, he explained the DMC leadership was concentrating on creating new sources of revenue by increasing surgeries and discharges at Detroit Receiving Hospital and exploring faster and better methods of patient reimbursement at Hutzel Women's Hospital.

It was during this period that a new governance accountability program, including a conflict of interest policy, was drafted by the TOC staff and presented to the DMC for review and approval. After considerable input from the DMC legal staff, a resulting program statement was agreed upon that fully satisfied the requirements of Section 7A of the MOU. That program is now in place and has led to a restructuring of the Board, a reduction in size of the Board, changes in eligibility for service on the Board, the creation of conflict avoidance standards, and performance review. As well, Section 8A of the MOU requires the DMC to have an audit committee charter that specifically includes provisions recommended by the Coalition for Nonprofit Healthcare. These provisions, relating to the audit committee and the auditors, are modeled after principles set forth in the Sarbanes-Oxley Act. The TOC worked diligently to ensure that these policies were of paramount priority. Conflict avoidance and ethics were recognized as imperative components of any turnaround plan. These goals now have been accomplished and these needed changes put into place.

The TOC also was concerned about relations between the DMC management and the medical staff. The medical staff had suffered a significant decline in morale with the financial problems and working conditions affecting the DMC and, in particular, Detroit Receiving Hospital and Hutzel Women's Hospital. Indeed, one of the requirements of the MOU was to have the DMC rescind Worker Adjustment and Retaining Notification (WARN) Act Notices previously sent to 1,000 employees. This action served to stabilize staff and steady what had become a volatile environment, an important step in facilitating a methodical, well-thought out approach to financial recovery. In the months that have followed, relations between management and staff seem to have improved, along with general morale. As turnaround progress is made and more efficient methods of operation and goals are set, there is more hope for the future of the health care safety net and an overall sense that everyone is positively contributing toward a common goal and a favorable result.

In keeping with the priorities articulated at Section 4E of the MOU, the TOC conferred with Dr. John Crissman, Dean of the Wayne State University Medical School (Medical School). The relationship between DMC and the Medical School is critical to the viability of the health care safety net. Because most of the Medical School faculty is on staff at the DMC, and because the DMC is a prized venue for the training of medical students and new physicians, the relationship between these institutions has both short-

term and long-term effects on issues relating to staffing, available medical expertise and the maintenance of excellence in standards of patient care. In recent years, the relationship between the DMC and the Medical School had deteriorated and was a major cause of concern. However, as a result of the emphasis placed on this issue by the MOU, as well as the efforts engaged in by both Dr. Crissman and the DMC leadership, it appears that significant progress has been made in this area. The TOC was advised that an open dialogue has been initiated and a new, stronger relationship between the DMC and the Medical School has been forged with the mutual exchange of ideas and cooperation in helping to address the improvements so vital to the DMC.

Perhaps most critical to this entire process has been the maintenance of the safety net facilities, Detroit Receiving Hospital and Hutzel Women's Hospital. These two member hospitals provide much needed medical services to the southeastern Michigan community. Their potential demise posed an immeasurable threat to the people of southeastern Michigan who historically have been served by these two hospitals, and to those who are the most at risk: children, the elderly, the underinsured and the uninsured. The TOC was dedicated to the continuation of services at these two facilities and consistently offered guidance to DMC leadership on how this could be accomplished, insisting that every effort be made to ensure their viability in the future.

Also undertaken was a directed effort to maintain the availability of services delivered by the primary health care clinics formerly owned and operated by the DMC. The elected officials, working in conjunction with the new clinic representatives, DMC leadership and the TOC Chair and MDCH Director Janet Olszewski, succeeded in directing resources to these clinics, and, in doing so, provided a stable transition period for them.

As of today, the vulnerable segment of the southeastern Michigan community continues to be accounted for due to the unyielding emphasis on these vital health care safety net providers.

## **CONCLUSION**

None of the accomplishments described above would have been possible had it not been for the commitment, unity and leadership of the elected officials, each of whom shared in the consensus of what was most important in this endeavor. Despite their respective city, county, and state constituencies, each was able to provide effective guidance to the TOC, which in turn, allowed the DMC to gain traction in its turnaround mission.

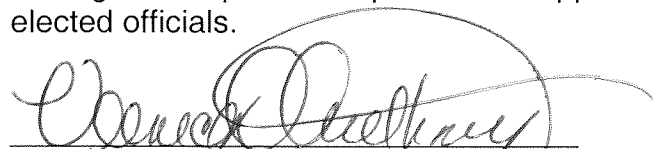
Through their dedication to establishing unity through a shared objective, the elected officials provided a perfect example of how leadership is supposed to function. Ultimately, the beneficiaries of this commitment, innovation and proactive response by the elected officials are those people who are most vulnerable and in need of critical medical services.

Nearly ten months after the TOC embarked on its mission, real progress has taken root at the DMC. The investment of brain power, commitment, know-how and funding is beginning to pay off. And, for now, the safety net hospitals, Detroit Receiving Hospital and Hutzel Women's Hospital, remain intact and are continuing to serve the southeastern Michigan patient community. The work done by the TOC has been at times frustrating, at times arduous, but always uppermost in the minds of those who served, compelling and all-important. The TOC embraced its mission with fervor and a sense of optimism; at the end of the TOC's work, the results of its efforts are apparent. For instance, during this time the financial outlook of DMC improved when Standard and Poors upgraded the outlook on the \$566,000,000 in outstanding debt from negative to stable in June 2004 based upon the following factors: reduced operating losses, more realistic budget projections and the demonstrated support of governmental entities to help DMC. Much work, however, remains to be done by those in charge of the DMC if the health care safety net is to be maintained. A solid beginning has been launched and must be followed through to conclusion. Failure is not an option. The people of our southeastern Michigan community deserve no less, and the welfare and viability of southeastern Michigan depend on those responsible persevering in the commitments vital to continued success.

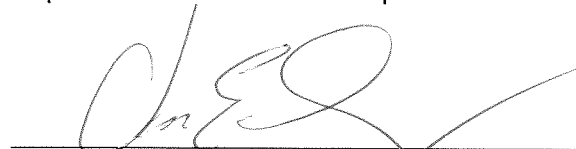
## Temporary Oversight Committee Final Report

Entered into on August 18, 2004  
Detroit, Michigan

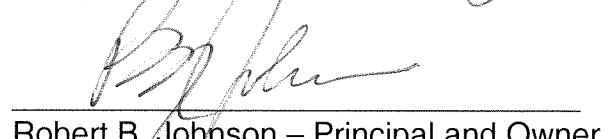
We sign this report in cooperation as appointed representatives of our respective elected officials.



Vernice Davis Anthony – President and  
CEO, Greater Detroit Health Council




Van E. Conway – Conway, MacKenzie  
& Dunleavy, Attorneys at Law



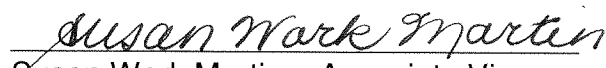
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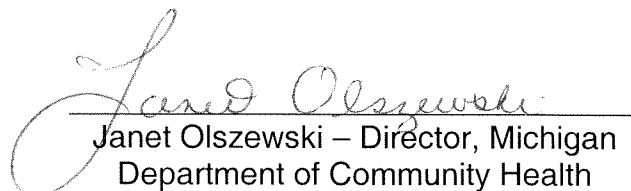
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Susan Work Martin – Associate Vice  
President for Academic Affairs, Grand  
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Janet Olszewski – Director, Michigan  
Department of Community Health